



Investment Office

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

December 17, 2007

AGENDA ITEM 8a

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Update on Emerging Managers
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Information only
- IV. ANALYSIS:**

This agenda item is to update the Investment Committee on the funding of emerging managers, other than Manager Development Program (MDP) managers, in Global Equity. This is an update to the February 20, 2007 agenda item included as Attachment 1.

Current Allocation to Emerging Managers

The table below shows the current total allocation to emerging managers. There are several MDP II firms under active consideration that are not included in the totals shown.

Emerging Manager Program	Current Allocation
RMARS Fund-of-Emerging Hedge Fund	\$350 million
Long-Only Funds-of-Funds	\$300 million
Manager Development Program I	\$1,800 million
Manager Development Program II	\$112 million
Current Total	\$2,562 million

Risk Managed Absolute Return Strategies Program (RMARS)

In April 2007, the RMARS program funded its first fund-of-emerging hedge fund, 47 Degrees North, with a \$100 million allocation. In November 2007, staff funded two additional funds, PAAMCO, with \$150 million, and Rock Creek with \$50 million. An additional \$50 million will be allocated to Rock Creek in January 2008, for a total allocation to the three managers of \$350 million. All three of the fund-of-emerging hedge fund firms are woman owned. 47 Degrees North has a global mandate while PAAMCO and Rock Creek with focus on investments in North America.

Long-Only Fund-of-Funds Program

In August 2007, the Investment Committee established a spring-fed pool of four long-only fund-of-funds managers consisting of: FIS Group, Leading Edge Advisors, Northern Trust Global Advisors, and Progress Investment Management Company. Two of the four fund-of-funds managers are minority owned and one is both woman and minority owned. Staff is completing contract negotiations and anticipates funding at least two of the managers in the spring-fed pool by the end of January. Total initial funding will likely be around \$300 to \$350 million with additional funding coming later. All of the managers in the pool have been selected to construct a "best ideas" fund-of-funds portfolio for CalPERS, so that underlying managers can manage U.S., international or global equity portfolios.

Staff will continue to update the Investment Committee periodically on this emerging manager program.

V. STRATEGIC PLAN:

This agenda item advances CalPERS Strategic Plan, Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

The purpose of this item is to keep the Investment Committee informed of the progress in funding emerging managers in addition to those funded under the Manager Development Program.

Mary C. Cottrill
Senior Portfolio Manager

Kurt Silberstein
Senior Portfolio Manager

Christianna Wood
Senior Investment Officer

Russell Read
Chief Investment Officer